securities. The funds raised by these organisations will be used in the Indian markets. However, they have also been permitted forex swaps subject to conditions.

(c) Some of the terms and conditions for the Rupee Bond issue are: minimum maturity period of 10 years, bond subject to 20% risk weightage at par with bonds issued by the All India Financial Institutions, immunity from collection and payments of tax subject to prescribed conditions, specific clearance for each issue, permission to roll over the bond within the annual ceiling prescribed, permission to swap the rupee funds to foreign exchange with market counter parties based in India, exchange of proceeds of the bonds permitted subject to prescribed conditions, waiver of separate domestic credit rating, listing on NSE/BSE.

Income Tax Exemption to Urban Development Authorities

689. SHRI JANARDHANA POOJARY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Urban Development Authorities, Housing Boards, and other similar statutory bodies enjoy Income-Tax Exemption u/sl0(20)of the IT. Act;

(b) if so, whether the exemption has been withdrawn by Government, thereby bringing UDAs, HBs, etc., under the purview of Income Tax Act;

(c) whether such a measure is hampering the infrastructure development activities of such statutory bodies and resultantly their ability to attract indigenous and overseas investment;

(d) whether State Governments have requested for re-introduction of the IT Exemption; and

(e) if so, details in this regard and the Central Government's reaction thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SHRIPAD YESSO NAIK): (a) and (b) The Authorities dealing with Housing Accommodation and for the purpose of planning, development or improvement of cities, towns and villages enjoyed income tax exemption u/s 10(20A)of the Income-tax Act, 1961 till the A.Y. 2002-03. However, the said section has been deleted w.e.f. A.Y. 2003-04.

(c) No, Sir. If the Urban Development Authorities and Housing Boards are working for advancement of an object of general public utility and there is no profit-motive, and are registered as charitable institutions, fulfilling conditions prescribed under sections 11 to 13 of the Income Tax Act, the exemption would be possible.

(d) Yes, Sir.

(e) Some State Governments had requested for restoration of this exemption. It has not been found feasible to restore the exemption.

SFCs role in development of small and medium enterprises

690. SHRI JANARDHANA POOJARY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that State Financial Corporations play a vital role in the nurturing of small and medium enterprises;

(b) whether declining interest rates and other economic factors are adversely affecting the functioning of SFCs and as a result of which they are unable to assist the small entrepreneurs active in key sectors like edible oil, pharmaceutical drugs, textiles, cement, etc.; and

(c) if so, the details of SFCs where respective State Governments have requested the Central Government for rehabilitation assistance from SIDBI and IDBI and what is Government's reaction thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) Yes, Sir. Most of the State Financial Corporations (SFCs) have been running in continued losses having high overdues & NPAs, poor liquidity which has rendered their networth as negative. SFCs are facing severe competition from Commercial Banks and other financial intermediaries whose cost of funds lower and which can offer lower interest rates.

(c) Representations were received from the State Governments and SFCs for financial assistance and for restructuring the refinance portfolio of SIDBI for SFCs to make them sustainable and vibrant to meet the needs of the SSI Sector. Accordingly, keeping in view the importance of the SFCs, especially, for the SSI Sector, in various States the Government in consultation with Small Industries Development Bank of India (SIDBI)